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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5/A
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/2009 AND ENDING 12/31/2009
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Gray Whale Capital, LLC

OFFICIAL USE ONLY
FIRM I.D.
NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

10 East Yanonali, Suite 2A

(No. and Street)

SANTA BARBARA

CA

93101

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Steven Abramowitz

212-964-5545

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MaloneBailey LLP, Certified Public Accounting Firm

(Name - if individual, state last, first, middle name)

15 Maiden Lane, Suite 1003

New York

New York

10038

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2).

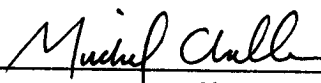
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SEC 1410 (06-02)

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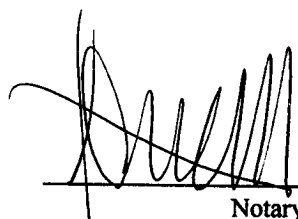
OATH OR AFFIRMATION

I, **Michael Challen**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Gray Whale Capital, LLC**, as of **December 31**, 20 **09**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

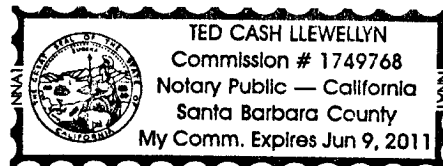
Managing Member

Title


Notary Public

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.



**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

GRAY WHALE CAPITAL, L.L.C.

Statement of Financial Condition

December 31, 2009

(With Independent Auditors' Report Thereon)

GRAY WHALE CAPITAL, L.L.C.

DECEMBER 31, 2009

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MALONEBAILEY LLP

CERTIFIED PUBLIC ACCOUNTING FIRM

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

INDEPENDENT AUDITORS' REPORT

To the Members of
Gray Whale Capital, L.L.C.
New York, NY

We have audited the accompanying statement of assets, liabilities and members' equity of Gray Whale Capital, L.L.C. as of December 31, 2009. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Gray Whale Capital, L.L.C. as of December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

MaloneBailey LLP
Certified Public Accounting Firm
New York, New York
www.malonebailey.com
March 30, 2010

GRAY WHALE CAPITAL, L.L.C.

STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY

December 31, 2009

ASSETS

Cash	\$ 2,797,134
Securities owned, at market value (Note 3)	94,957,259
JBO investments	60,000
Due from clearing broker (Note 5)	9,284,091
Interest and dividends receivable	78
Fixed assets, net of accumulated depreciation of \$35,709	<u>48,835</u>
TOTAL ASSETS	\$ <u>107,147,397</u>

LIABILITIES AND MEMBERS' EQUITY

Securities sold, not yet purchased, at market (Note 3)	\$ 33,079,611
Payable to clearing broker (Note 5)	51,526,492
Accounts payable and accrued expenses	<u>20,370</u>
TOTAL LIABILITIES	84,626,473
Commitments and contingent liabilities (Note 6)	-
Members' equity	<u>22,520,924</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>107,147,397</u>

The accompanying notes are an integral part of these financial statements.

GRAY WHALE CAPITAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Gray Whale Capital L.L.C., a New York limited liability company (the "Company"), formed in 2007, is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the NYSE ARCA exchange.

The Company is engaged in securities trading.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

All short-term investments with an original maturity of three months or less are considered to be cash equivalents.

Concentration of Credit Risk

The Company is engaged in various investment and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The company has a bank accounts with Bank of America & HSBC with a balances of \$997,411 and \$1,794,968 respectively, which are in excess of the FDIC insurable limit of \$250,000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Securities transactions and related income and expenses are recorded daily on a mark to market basis.

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations

GRAY WHALE CAPITAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 3- FAIR VALUE OF INVESTMENTS

Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction cost. Fair value measurement under generally accepted accounting principles provides for the use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.
- Level 3: Unobservable inputs. Unobservable inputs reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

The following are the Company's investments owned and securities sold short by level within the fair value hierarchy at December 31, 2009.

<u>Assets</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Stocks	\$ 88,899,108	Level 1
Options	6,058,151	Level 1
	<u>\$ 94,957,259</u>	
<u>Liabilities</u>		
Stocks	\$ 30,625,283	Level 1
Options	2,454,328	Level 1
	<u>\$ 33,079,611</u>	

GRAY WHALE CAPITAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 4- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the members under this form of organization.

NOTE 5- PAYABLE TO RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts payable to and receivable from the Company's clearing organizations at December 31, 2009, consist of the following:

	<u>Receivable</u>
Receivable from Merrill Lynch Prime Brokerage	\$ 1,482,280
Receivable from ML Professional Clearing	5,381,060
Receivable from Interactive Brokers	1,055,320
Receivable from Goldman Sachs Clearing and Execution	<u>1,365,431</u>
	<u><u>9,284,091</u></u>
	<u>Payable</u>
Payable to ML Professional Clearing	\$ <u><u>51,526,492</u></u>

NOTE 6- COMMITMENTS AND CONTINGENCIES

The Company rents office space on a month to month basis and may terminate with 30 days written notice.

NOTE 7- NET CAPITAL REQUIREMENTS

The Company is a member of the NYSE ARCA and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, during the first twelve (12) months of commencing operations the ratio may not exceed 8 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2009, the Company's net capital was \$8,376,014 which was \$8,276,014 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 0.0024 to 1.

GRAY WHALE CAPITAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 8- OFF BALANCE SHEET RISK

Pursuant to a JBO Participant's Account Agreement, the Company will give up its clearing member to the clearing corporation for all of its securities transactions. Therefore, all of the customers' money balances and long and short security positions will be maintained on the books of the clearing member in a JBO participant's account. Under certain conditions as defined in the agreement, the Company has agreed to indemnify the clearing member for losses, if any, which the clearing member may sustain from maintaining securities transactions effected by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing member monitor collateral on the securities transactions introduced by the Company.

NOTE 9- GUARANTEES

FASB ASC 460-10, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460-10 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying contract (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FASB ASC 460-10 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

GRAY WHALE CAPITAL, L.L.C.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 9- GUARANTEES (continued)

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

NOTE 10- SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 30, 2010, the date that its financial statements were ready to be issued. The Company believes that there are no subsequent events requiring further disclosure.